



INDIANA UTILITY REGULATORY COMMISSION  
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**FILED**

JAN 24 2005

INDIANA UTILITY  
REGULATORY COMMISSION

**CAUSE NO. 42738**

**PETITION OF WABASH VALLEY POWER )  
ASSOCIATION, INC., FOR AUTHORITY TO )  
ISSUE UP TO \$100,000,000 PRINCIPAL )  
AMOUNT OF DEBT SECURITIES TO BE )  
COMPRISED OF PETITIONER'S SECURED )  
FIRST MORTGAGE NOTES AND )  
UNSECURED DEBT IN ANY COMBINATION )  
AND TO USE THE PROCEEDS TO (A) )  
PROVIDE SECURITY FOR LONG-TERM )  
POWER PURCHASES, (B) PAYING THE )  
INITIAL COSTS OF ITS CONSTRUCTION )  
PROGRAM, AND (C) REFINANCE )  
EXISTING DEBT. )**

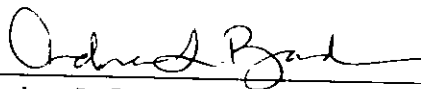
You are hereby notified that on this date the Indiana Utility Regulatory Commission ("Commission") has caused the following entry to be made:

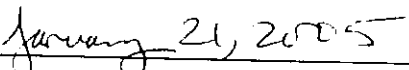
The Presiding Officer has reviewed the evidence presented in this matter and hereby finds that the Petitioner should be prepared to address the following issues at the Evidentiary Hearing in this Cause at 10:00 a.m. EST on January 24, 2005:

1. Exhibit JAC-2 appears to show two factors affecting WVPA's margin call exposure: (1) Market risk -- the exhibit assumes a 20% decrease in market prices; and (2) Credit risk -- the exhibit reflects different margin call exposures for various credit ratings. In A9 on page 3 of his prefiled testimony, Jeff A. Conrad states: "To measure credit risk, a daily "Mark-to-market" ("MtM") calculation is performed". This implies that credit risk is a function of the market price of electricity and the notional price of electricity in PPAs. Are 'market risk' and 'credit risk', in relation to PPAs, independent terms? Please provide WVPA's definition of each term and explain how they are related, if at all.
2. Do the long-term PPAs into which WVPA has entered and will enter on behalf of its members obligate WVPA to purchased fixed amounts of power, for fixed prices and for fixed durations, from various suppliers? If so, please explain why changes in market prices would expose WVPA to margin calls.

3. Are all of WVPA's members under full requirements contracts with WVPA? If so, and assuming that WVPA's rates and tariffs are approved by FERC (thereby authorizing WVPA to recover prudently incurred costs on behalf of its members), please explain how mark-to-market calculations are relevant for WVPA's long-term PPAs. Also, please explain how movements in the market price of electricity affect WVPA's ability to meet its contractual obligations under varying PPAs.
4. Does WVPA consider its PPAs to be entered into during the "normal course of business"?
5. Are WVPA's PPAs exposed to mark-to-market accounting?

**IT IS SO ORDERED.**

  
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Andrea L. Brandes, Administrative Law Judge

  
\_\_\_\_\_  
Date